



# Senate

General Assembly

**File No. 561**

January Session, 2015

Substitute Senate Bill No. 1070

*Senate, April 8, 2015*

The Committee on Planning and Development reported through SEN. OSTEN of the 19th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

## **AN ACT CONCERNING PAYMENT IN LIEU OF TAXES.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. (NEW) (*Effective October 1, 2015, and applicable to assessment*  
2       *years commencing on or after October 1, 2015*) (a) For the purposes of this  
3       section:

4       (1) "Freestanding chronic disease hospital" means a facility that  
5       provides for the care and treatment of chronic diseases, excluding any  
6       such facility having an ownership affiliation with and operated in the  
7       same location as a chronic and convalescent nursing home;

8       (2) "Hospital facility" means any nonprofit general hospital facility  
9       or freestanding chronic disease hospital or an urgent care facility that  
10      operates for at least twelve hours a day and that had been the location  
11      of a nonprofit general hospital for at least a portion of calendar year  
12      1996 to receive payments in lieu of taxes for such property, exclusive of  
13      any such facility operated by the federal government, except a campus

14 of the United States Department of Veterans Affairs Connecticut  
15 Healthcare Systems, or the state of Connecticut or any subdivision  
16 thereof;

17 (3) "Municipality" means any town, consolidated town and city,  
18 consolidated town and borough, borough, district, as defined in  
19 section 7-324 of the general statutes, and any city not consolidated with  
20 a town;

21 (4) "Nonprofit general hospital facility" means any such facility that  
22 is used primarily for the purpose of general medical care and  
23 treatment, exclusive of any hospital facility used primarily for the care  
24 and treatment of special types of disease or physical or mental  
25 conditions;

26 (5) "Private nonprofit institution of higher learning" means any such  
27 institution, as defined in subsection (a) of section 10a-34 of the general  
28 statutes, or any independent college or university that is engaged  
29 primarily in education beyond the high school level, and offers courses  
30 of instruction for which college or university-level credit may be given  
31 or may be received by transfer, the property of which is exempt from  
32 property tax under any of the subdivisions of section 12-81 of the  
33 general statutes; and

34 (6) "Tax exempt property" means (A) state-owned real property,  
35 except that which was acquired and used for highways and bridges,  
36 but not excepting property acquired and used for highway  
37 administration or maintenance purposes; (B) reservation land held in  
38 trust by the state for an Indian tribe. Such reservation land shall be the  
39 land only, and shall not include the assessed value of any structures,  
40 buildings or other improvements on such land; (C) a municipally  
41 owned airport; (D) hospital facilities; (E) real property owned by any  
42 private nonprofit institution of higher learning; and (F) real property  
43 as further described in subdivision (7) of section 12-81 of the general  
44 statutes. Tax exempt property does not include property located at  
45 Bradley International Airport in any town receiving payments under  
46 section 15-120ss of the general statutes.

47 (b) The Secretary of the Office of Policy and Management shall list  
48 municipalities based on the percentage of tax exempt property on the  
49 grand list of each municipality. (1) The first one-third of municipalities  
50 having the highest percentage of such property shall each receive a  
51 grant equal to forty per cent of the property taxes that would have  
52 been paid to such municipality on tax exempt property; (2) the next  
53 one-third of municipalities having the highest percentage of such  
54 property shall each receive a grant equal to thirty-three per cent of the  
55 property taxes that would have been paid to such municipality on tax  
56 exempt property; and (3) the remaining municipalities shall each  
57 receive a grant equal to twenty-seven per cent of the property taxes  
58 that would have been paid to such municipality on tax exempt  
59 property.

60 (c) For the fiscal year ending June 30, 2016, and in each fiscal year  
61 thereafter, the amount of the grant payable to each municipality in  
62 accordance with this section shall be reduced proportionately in the  
63 event that the total of such grants in such year exceeds the amount  
64 appropriated for the purposes of this section with respect to such year.

65 Sec. 2. Section 3-55j of the general statutes is repealed and the  
66 following is substituted in lieu thereof (*Effective October 1, 2015*):

67 (a) Twenty million dollars of the moneys available in the  
68 Mashantucket Pequot and Mohegan Fund established by section 3-55i  
69 shall be paid to municipalities eligible for a state grant in lieu of taxes  
70 pursuant to section [12-19a] 1 of this act in addition to the grants  
71 payable to such municipalities pursuant to section [12-19a] 1 of this act,  
72 subject to the provisions of subsection (b) of this section. Such grant  
73 shall be calculated under the provisions of section [12-19a] 1 of this act  
74 and shall equal one-third of the additional amount which such  
75 municipalities would be eligible to receive if the total amount available  
76 for distribution were eighty-five million two hundred five thousand  
77 eighty-five dollars and the percentage of reimbursement set forth in  
78 section [12-19a] 1 of this act were increased to reflect such amount.  
79 Any eligible special services district shall receive a portion of the grant

80 payable under this subsection to the town in which such district is  
81 located. The portion payable to any such district under this subsection  
82 shall be the amount of the grant to the town under this subsection  
83 which results from application of the district mill rate to exempt  
84 property in the district. As used in this subsection and subsection (c) of  
85 this section, "eligible special services district" means any special  
86 services district created by a town charter, having its own governing  
87 body and for the assessment year commencing October 1, 1996,  
88 containing fifty per cent or more of the value of total taxable property  
89 within the town in which such district is located.

90 (b) No municipality shall receive a grant pursuant to subsection (a)  
91 of this section which, when added to the amount of the grant payable  
92 to such municipality pursuant to section [12-19a] 1 of this act, would  
93 exceed one hundred per cent of the property taxes which would have  
94 been paid with respect to all state-owned real property, except for the  
95 exemption applicable to such property, on the assessment list in such  
96 municipality for the assessment date two years prior to the  
97 commencement of the state fiscal year in which such grants are  
98 payable, except that, notwithstanding the provisions of said subsection  
99 (a), no municipality shall receive a grant pursuant to said subsection  
100 which is less than one thousand six hundred sixty-seven dollars.

101 (c) Twenty million one hundred twenty-three thousand nine  
102 hundred sixteen dollars of the moneys available in the Mashantucket  
103 Pequot and Mohegan Fund established by section 3-55i shall be paid to  
104 municipalities eligible for a state grant in lieu of taxes pursuant to  
105 section [12-20a] 1 of this act, in addition to and in the same proportion  
106 as the grants payable to such municipalities pursuant to section [12-  
107 20a] 1 of this act, subject to the provisions of subsection (d) of this  
108 section. Any eligible special services district shall receive a portion of  
109 the grant payable under this subsection to the town in which such  
110 district is located. The portion payable to any such district under this  
111 subsection shall be the amount of the grant to the town under this  
112 subsection which results from application of the district mill rate to  
113 exempt property in the district.

114 (d) Notwithstanding the provisions of subsection (c) of this section,  
115 no municipality shall receive a grant pursuant to said subsection  
116 which, when added to the amount of the grant payable to such  
117 municipality pursuant to section [12-20a] 1 of this act, would exceed  
118 one hundred per cent of the property taxes which, except for any  
119 exemption applicable to any private nonprofit institution of higher  
120 education, nonprofit general hospital facility or freestanding chronic  
121 disease hospital under the provisions of section 12-81, would have  
122 been paid with respect to such exempt real property on the assessment  
123 list in such municipality for the assessment date two years prior to the  
124 commencement of the state fiscal year in which such grants are  
125 payable.

126 (e) Thirty-five million dollars of the moneys available in the  
127 Mashantucket Pequot and Mohegan Fund established by section 3-55i  
128 shall be paid to municipalities in accordance with the provisions of  
129 section 7-528, except that for the purposes of section 7-528, "adjusted  
130 equalized net grand list per capita" means the equalized net grand list  
131 divided by the total population of a town, as defined in subdivision (7)  
132 of subsection (a) of section 10-261, multiplied by the ratio of the per  
133 capita income of the town to the per capita income of the town at the  
134 one hundredth percentile among all towns in the state ranked from  
135 lowest to highest in per capita income, and "equalized net grand list"  
136 means the net grand list of such town upon which taxes were levied  
137 for the general expenses of such town two years prior to the fiscal year  
138 in which a grant is to be paid, equalized in accordance with section 10-  
139 261a.

140 (f) Five million four hundred seventy-five thousand dollars of the  
141 moneys available in the Mashantucket Pequot and Mohegan Fund  
142 established by section 3-55i shall be paid to the following  
143 municipalities in accordance with the provisions of section 7-528,  
144 except that for the purposes of said section 7-528, "adjusted equalized  
145 net grand list per capita" means the equalized net grand list divided by  
146 the total population of a town, as defined in subdivision (7) of  
147 subsection (a) of section 10-261, multiplied by the ratio of the per

148 capita income of the town to the per capita income of the town at the  
 149 one hundredth percentile among all towns in the state ranked from  
 150 lowest to highest in per capita income, and "equalized net grand list"  
 151 means the net grand list of such town upon which taxes were levied  
 152 for the general expenses of such town two years prior to the fiscal year  
 153 in which a grant is to be paid, equalized in accordance with section 10-  
 154 261a: Bridgeport, Hamden, Hartford, Meriden, New Britain, New  
 155 Haven, New London, Norwalk, Norwich, Waterbury and Windham.

156 (g) Notwithstanding the provisions of subsections (a) to (f),  
 157 inclusive, of this section, the total grants paid to the following  
 158 municipalities from the moneys available in the Mashantucket Pequot  
 159 and Mohegan Fund established by section 3-55i shall be as follows:

T1	Bloomfield	\$ 267,489
T2	Bridgeport	10,506,506
T3	Bristol	1,004,050
T4	Chaplin	141,725
T5	Danbury	1,612,564
T6	Derby	432,162
T7	East Hartford	522,421
T8	East Lyme	488,160
T9	Groton	2,037,088
T10	Hamden	1,592,270
T11	Manchester	1,014,244
T12	Meriden	1,537,900
T13	Middletown	2,124,960
T14	Milford	676,535
T15	New Britain	3,897,434
T16	New London	2,649,363
T17	North Haven	268,582
T18	Norwalk	1,451,367
T19	Norwich	1,662,147
T20	Preston	461,939
T21	Rocky Hill	477,950
T22	Stamford	1,570,767

T23	Union	38,101
T24	Voluntown	156,902
T25	Waterbury	5,179,655
T26	Wethersfield	371,629
T27	Windham	1,307,974
T28	Windsor Locks	754,833

160 (h) For the fiscal year ending June 30, 1999, and each fiscal year  
161 thereafter, if the amount of grant payable to a municipality in  
162 accordance with this section is increased as the result of an  
163 appropriation to the Mashantucket Pequot and Mohegan Fund for  
164 such fiscal year which exceeds eighty-five million dollars, the portion  
165 of the grant payable to each eligible service district, in accordance with  
166 subsections (a) and (c) of this section shall be increased by the same  
167 proportion as the grant payable to such municipality under this section  
168 as a result of said increased appropriation.

169 (i) For the fiscal year ending June 30, 2003, to the fiscal year ending  
170 June 30, 2006, inclusive, the municipalities of Ledyard, Montville,  
171 Norwich, North Stonington and Preston shall each receive a grant of  
172 five hundred thousand dollars which shall be paid from the  
173 Mashantucket Pequot and Mohegan Fund established by section 3-55i  
174 and which shall be in addition to the grants paid to said municipalities  
175 pursuant to subsections (a) to (g), inclusive, of this section.

176 (j) For the fiscal years ending June 30, 2000, June 30, 2001, and June  
177 30, 2002, the sum of forty-nine million seven hundred fifty thousand  
178 dollars shall be paid to municipalities, and for the fiscal year ending  
179 June 30, 2003, and each fiscal year thereafter, the sum of forty-seven  
180 million five hundred thousand dollars shall be paid to municipalities,  
181 in accordance with this subsection, from the Mashantucket Pequot and  
182 Mohegan Fund established by section 3-55i. The grants payable under  
183 this subsection shall be used to proportionately increase the amount of  
184 the grants payable to each municipality in accordance with subsections  
185 (a) to (i), inclusive, of this section and shall be in addition to the grants  
186 payable under subsections (a) to (g), inclusive, of this section.

187 (k) The amount of the grant payable to each municipality in  
188 accordance with subsection (j) of this section shall be reduced  
189 proportionately in the event that the total of the grants payable to each  
190 municipality pursuant to this section exceeds the amount appropriated  
191 for such grants with respect to such year.

192 Sec. 3. Subsection (g) of section 4b-38 of the general statutes is  
193 repealed and the following is substituted in lieu thereof (*Effective*  
194 *October 1, 2015*):

195 (g) Notwithstanding the provisions of this section, the board of  
196 trustees of a constituent unit of the state system of higher education  
197 may lease land or buildings, or both, and facilities under the control  
198 and supervision of such board when such land, buildings or facilities  
199 are otherwise not used or needed for use by the constituent unit and  
200 such action seems desirable to produce income or is otherwise in the  
201 public interest, provided the Treasurer has determined that such action  
202 will not affect the status of any tax-exempt obligations issued or to be  
203 issued by the state of Connecticut. Upon executing any such lease, said  
204 board shall forward a copy to the assessor or board of assessors of the  
205 municipality in which the leased property is located. The proceeds  
206 from any lease or rental agreement pursuant to this subsection shall be  
207 retained by the constituent unit. Any land so leased for private use and  
208 the buildings and appurtenances thereon shall be subject to local  
209 assessment and taxation annually in the name of the lessee, assignee or  
210 sublessee, whichever has immediate right to occupancy of such land or  
211 building, by the town wherein situated as of the assessment day of  
212 such town next following the date of leasing. Such land and the  
213 buildings and appurtenances thereon shall not be included as property  
214 of the constituent unit for the purpose of computing a grant in lieu of  
215 taxes pursuant to section [12-19a] 1 of this act provided, if such  
216 property is leased to an organization which, if the property were  
217 owned by or held in trust for such organization would not be liable for  
218 taxes with respect to such property under section 12-81, such  
219 organization shall be entitled to exemption from property taxes as the  
220 lessee under such lease, and the portion of such property exempted



221 and leased to such organization shall be eligible for a grant in lieu of  
222 taxes pursuant to said section [12-19a] 1 of this act.

223 Sec. 4. Section 4b-39 of the general statutes is repealed and the  
224 following is substituted in lieu thereof (*Effective October 1, 2015*):

225 Land, buildings or facilities leased pursuant to section 4b-35 and  
226 section 4b-36 shall be exempt from municipal taxation. The value of  
227 such land, buildings or facilities shall be used for computation of  
228 grants in lieu of taxes pursuant to section [12-19a] 1 of this act.

229 Sec. 5. Section 4b-46 of the general statutes is repealed and the  
230 following is substituted in lieu thereof (*Effective October 1, 2015*):

231 On and after July 1, 1995, any property which is subject to an  
232 agreement entered into by the Commissioner of Administrative  
233 Services for the purchase of such property through a long-term  
234 financing contract shall be exempt from taxation by the municipality in  
235 which such property is located, during the term of such contract. The  
236 assessed valuation of such property shall be included with the  
237 assessed valuation of state-owned land and buildings for purposes of  
238 determining the state grant in lieu of taxes under the provisions of  
239 section [12-19a] 1 of this act.

240 Sec. 6. Section 10a-90 of the general statutes is repealed and the  
241 following is substituted in lieu thereof (*Effective October 1, 2015*):

242 The Board of Trustees for the Connecticut State University System,  
243 with the approval of the Governor and the Secretary of the Office of  
244 Policy and Management, may lease state-owned land under its care,  
245 custody or control to private developers for construction of dormitory  
246 buildings, provided such developers agree to lease such buildings to  
247 such board of trustees with an option to purchase and provided  
248 further that any such agreement to lease is subject to the provisions of  
249 section 4b-23, prior to the making of the original lease by the board of  
250 trustees. The plans for such buildings shall be subject to approval of  
251 such board, the Commissioner of Administrative Services and the State

252 Properties Review Board and such leases shall be for the periods and  
253 upon such terms and conditions as the Commissioner of  
254 Administrative Services determines, and such buildings, while  
255 privately owned, shall be subject to taxation by the town in which they  
256 are located. The Board of Trustees for the Connecticut State University  
257 System may also deed, transfer or lease state-owned land under its  
258 care, custody or control to the State of Connecticut Health and  
259 Educational Facilities Authority for financing or refinancing the  
260 planning, development, acquisition and construction and equipping of  
261 dormitory buildings and student housing facilities and to lease or  
262 sublease such dormitory buildings or student housing facilities and  
263 authorize the execution of financing leases of land, interests therein,  
264 buildings and fixtures in order to secure obligations to repay any loan  
265 from the State of Connecticut Health and Educational Facilities  
266 Authority from the proceeds of bonds issued thereby pursuant to the  
267 provisions of chapter 187 made by the authority to finance or refinance  
268 the planning, development, acquisition and construction of dormitory  
269 buildings. Any such financing lease shall not be subject to the  
270 provisions of section 4b-23 and the plans for such dormitories shall be  
271 subject only to the approval of the board. Such financing leases shall be  
272 for such periods and upon such terms and conditions that the board  
273 shall determine. Any state property so leased shall not be subject to  
274 local assessment and taxation and such state property shall be  
275 included as property of the Connecticut State University System for  
276 the purpose of computing a grant in lieu of taxes pursuant to section  
277 [12-19a] 1 of this act.

278 Sec. 7. Section 10a-91 of the general statutes is repealed and the  
279 following is substituted in lieu thereof (*Effective October 1, 2015*):

280 (a) The Board of Trustees of the Connecticut State University  
281 System, with the approval of the Governor, the Commissioner of  
282 Administrative Services and the State Properties Review Board, may  
283 lease land or buildings under its care, custody or control to private  
284 developers for rental housing and commercial establishments. Such  
285 leases shall be for periods and upon such terms and conditions,

286 including, but not limited to, provision for adequate liability insurance  
287 to be maintained by the lessee for the benefit of the state and rental  
288 terms, as may be determined by the Commissioner of Administrative  
289 Services and, in the case of a lease of land, may provide for the  
290 construction of buildings thereon to be used for rental housing and  
291 commercial establishments, the plans of which shall be subject to the  
292 approval of the board of trustees, the Commissioner of Administrative  
293 Services and the State Properties Review Board. Said board of trustees  
294 may provide for water, heat and waste disposal services on a cost-  
295 reimbursement basis to such leased premises. Said board may  
296 designate the kinds of concessions for supplying goods, commodities,  
297 services and facilities to be permitted on such land and may select the  
298 permittees, or said board may delegate such functions to the private  
299 developers with which it contracts pursuant to this section.

300 (b) Any land so leased to a private developer for rental housing or  
301 commercial establishments and the buildings and appurtenances  
302 thereon shall be subject to local assessment and taxation annually in  
303 the name of the lessee, assignee or sublessee, whichever has immediate  
304 right to occupancy of such land or building, by the town wherein  
305 situated as of the assessment day of such town next following the date  
306 of leasing. Such land shall not be included as property of the  
307 Connecticut State University System for the purpose of computing a  
308 grant in lieu of taxes pursuant to section [12-19a] 1 of this act.

309 Sec. 8. Section 12-19b of the general statutes is repealed and the  
310 following is substituted in lieu thereof (*Effective October 1, 2015*):

311 (a) Not later than April first in any assessment year, any [town or  
312 borough] municipality to which a grant is payable under the  
313 provisions of section [12-19a] 1 of this act shall provide the Secretary of  
314 the Office of Policy and Management with the assessed valuation of  
315 the tax-exempt real property eligible therefor as of the first day of  
316 October immediately preceding, adjusted in accordance with any  
317 gradual increase in or deferment of assessed values of real property  
318 implemented in accordance with section 12-62c, which is required for

319 computation of such grant. Any [town] municipality which neglects to  
320 transmit to the secretary the assessed valuation as required by this  
321 section shall forfeit two hundred fifty dollars to the state, provided  
322 [the] said secretary may waive such forfeiture in accordance with  
323 procedures and standards adopted by regulation in accordance with  
324 chapter 54. Said secretary may on or before the first day of August of  
325 the state fiscal year in which such grant is payable, reevaluate any such  
326 property when, in the secretary's judgment, the valuation is inaccurate  
327 and shall notify such [town] municipality of such reevaluation by  
328 certified or registered mail. Any [town or borough] municipality  
329 aggrieved by the action of [the] said secretary under the provisions of  
330 this section may, not later than ten business days following receipt of  
331 such notice, appeal to the secretary for a hearing concerning such  
332 reevaluation. Such appeal shall be in writing and shall include a  
333 statement as to the reasons for such appeal. The secretary shall, not  
334 later than ten business days following receipt of such appeal, grant or  
335 deny such hearing by notification in writing, including in the event of  
336 a denial, a statement as to the reasons for such denial. Such notification  
337 shall be sent by certified or registered mail. If any [town or borough]  
338 municipality is aggrieved by the action of the secretary following such  
339 hearing or in denying any such hearing, the [town or borough]  
340 municipality may not later than ten business days after receiving such  
341 notice, appeal to the superior court for the judicial district wherein  
342 such town is located. Any such appeal shall be privileged.

343 (b) Notwithstanding the provisions of section [12-19a] 1 of this act  
344 or subsection (a) of this section, there shall be an amount due (1) the  
345 municipality of Voluntown, on or before the thirtieth day of  
346 September, annually, with respect to any state-owned forest, of an  
347 additional sixty thousand dollars, [which amount shall be paid from  
348 the annual appropriation, from the General Fund, for reimbursement  
349 to towns for loss of taxes on private tax-exempt property] (2) the  
350 municipality of Branford, on or before the thirtieth day of September,  
351 annually, with respect to the Connecticut Hospice, in Branford, of one  
352 hundred thousand dollars, and (3) the city of New London, on or  
353 before the thirtieth day of September, annually, with respect to the

354 United States Coast Guard Academy in New London, of one million  
355 dollars. Such amounts shall be paid from the annual appropriation,  
356 from the General Fund, for reimbursement to towns for loss of taxes on  
357 private tax-exempt property.

358       Sec. 9. Section 12-19c of the general statutes is repealed and the  
359 following is substituted in lieu thereof (*Effective October 1, 2015*):

360       The Secretary of the Office of Policy and Management shall, not  
361 later than September fifteenth, certify to the Comptroller the amount  
362 due each town or borough under the provisions of section [12-19a] 1 of  
363 this act, or under any recomputation occurring prior to said September  
364 fifteenth which may be effected as the result of the provisions of  
365 section 12-19b, as amended by this act, and the Comptroller shall draw  
366 an order on the Treasurer on or before the fifth business day following  
367 September fifteenth and the Treasurer shall pay the amount thereof to  
368 such town on or before the thirtieth day of September following. If any  
369 recomputation is effected as the result of the provisions of section 12-  
370 19b, as amended by this act, on or after the August first following the  
371 date on which the town has provided the assessed valuation in  
372 question, any adjustments to the amount due to any town for the  
373 period for which such adjustments were made shall be made in the  
374 next payment the Treasurer shall make to such town pursuant to this  
375 section.

376       Sec. 10. Section 12-19f of the general statutes is repealed and the  
377 following is substituted in lieu thereof (*Effective October 1, 2015*):

378       After completion of the courthouse which is to be constructed after  
379 May 12, 2004, in the town of Torrington and commencing with the  
380 payment in lieu of taxes made under section [12-19a] 1 of this act for  
381 such courthouse to the town of Torrington for the grand list year the  
382 courthouse was completed, such payment shall be divided between  
383 the towns of Torrington and Litchfield as follows:

384       (1) For the first year such payments are made until and including  
385 the seventh such year, fifty-five per cent of such payment shall be

386 made to the town of Torrington and forty-five per cent of such  
387 payment shall be made to the town of Litchfield; and

388 (2) For the eighth such year until and including the fourteenth such  
389 year, sixty-five per cent of such payment shall be made to the town of  
390 Torrington and thirty-five per cent of such payment shall be made to  
391 the town of Litchfield.

392 Sec. 11. Section 12-62m of the general statutes is repealed and the  
393 following is substituted in lieu thereof (*Effective October 1, 2015*):

394 (a) If real property eligible for a grant or for reimbursement of a  
395 property tax or a portion thereof under the provisions of [sections 12-  
396 19a, 12-20b] section 1 of this act and section 12-129p, or any other  
397 provision of the general statutes, is located in a town that (1) elected to  
398 phase in assessment increases pursuant to section 12-62a of the general  
399 statutes, revision of 1958, revised to January 1, 2005, with respect to a  
400 revaluation effective on or before October 1, 2005, or (2) elects to phase  
401 in assessment increases pursuant to section 12-62c with respect to a  
402 revaluation effective on or after October 1, 2006, the assessed valuation  
403 of said property as reported to the Secretary of the Office of Policy and  
404 Management shall reflect the gradual increase in assessment applicable  
405 to comparable taxable real property for the same assessment year.

406 (b) If the legislative body of a town elects to phase in real property  
407 assessment increases with respect to a revaluation effective on or after  
408 October 1, 2006, pursuant to section 12-62c, or pursuant to section 12-  
409 62a of the general statutes, revision of 1958, revised to January 1, 2005,  
410 with respect to a revaluation effective on or before October 1, 2005, the  
411 grand list furnished, pursuant to section 7-328, to the clerk of any  
412 district, as defined in section 7-324, shall reflect assessments based  
413 upon such phase-in for each assessment year during which such  
414 phase-in is effective.

415 Sec. 12. Section 12-63h of the general statutes is repealed and the  
416 following is substituted in lieu thereof (*Effective October 1, 2015*):

417 (a) The Secretary of the Office of Policy and Management shall  
418 establish a pilot program in up to three municipalities whereby the  
419 selected municipalities shall develop a plan for implementation of land  
420 value taxation that (1) classifies real estate included in the taxable  
421 grand list as (A) land or land exclusive of buildings, or (B) buildings on  
422 land; and (2) establishes a different mill rate for property tax purposes  
423 for each class, provided the higher mill rate shall apply to land or land  
424 exclusive of buildings. The different mill rates for taxable real estate in  
425 each class shall not be applicable to any property for which a grant is  
426 payable under section [12-19a or 12-20a] 1 of this act.

427 (b) The secretary shall establish an application procedure and any  
428 other criteria for the program and shall send a copy of such application  
429 procedure and any other criteria to the joint standing committee of the  
430 General Assembly having cognizance of matters relating to planning  
431 and development. The secretary shall not select a municipality for the  
432 pilot program unless the legislative body of the municipality has  
433 approved the application. The secretary shall send a notice of selection  
434 for the pilot program to the chief executive officer of the municipality  
435 and to the joint standing committee of the General Assembly having  
436 cognizance of matters relating to planning and development.

437 (c) After receipt of the notice of selection provided by the Secretary  
438 of the Office of Policy and Management pursuant to subsection (b) of  
439 this section, the chief elected official of such municipality shall appoint  
440 a committee consisting of (1) a representative of the legislative body of  
441 the municipality or where the legislative body is the town meeting, a  
442 representative of the board of selectmen; (2) a representative from the  
443 business community; (3) a land use attorney; and (4) relevant  
444 taxpayers and stakeholders. Such committee shall prepare a plan for  
445 implementation of land value taxation. Such plan shall (A) provide a  
446 process for implementation of differentiated tax rates; (B) designate  
447 geographic areas of the municipality where the differentiated rates  
448 shall be applied; and (C) identify legal and administrative issues  
449 affecting the implementation of the plan. The chief executive officer,  
450 the chief elected official, the assessor and the tax collector of the

451 municipality shall have an opportunity to review and comment on the  
452 plan. On or before December 31, 2014, and upon approval of the plan  
453 by the legislative body, the plan shall be submitted to the joint  
454 standing committees of the General Assembly having cognizance of  
455 matters relating to planning and development, finance, revenue and  
456 bonding and commerce.

457 Sec. 13. Section 12-64 of the general statutes is repealed and the  
458 following is substituted in lieu thereof (*Effective October 1, 2015*):

459 (a) All the following mentioned property, not exempted, shall be set  
460 in the list of the town where it is situated and, except as otherwise  
461 provided by law, shall be liable to taxation at a uniform percentage of  
462 its present true and actual valuation, not exceeding one hundred per  
463 cent of such valuation, to be determined by the assessors: Dwelling  
464 houses, garages, barns, sheds, stores, shops, mills, buildings used for  
465 business, commercial, financial, manufacturing, mercantile and trading  
466 purposes, ice houses, warehouses, silos, all other buildings and  
467 structures, house lots, all other building lots and improvements  
468 thereon and thereto, including improvements that are partially  
469 completed or under construction, agricultural lands, shellfish lands, all  
470 other lands and improvements thereon and thereto, quarries, mines,  
471 ore beds, fisheries, property in fish pounds, machinery and easements  
472 to use air space whether or not contiguous to the surface of the  
473 ground. An easement to use air space shall be an interest in real estate  
474 and may be assessed separately from the surface of the ground below  
475 it. Any interest in real estate shall be set by the assessors in the list of  
476 the person in whose name the title to such interest stands on the land  
477 records. If the interest in real estate consists of an easement to use air  
478 space, whether or not contiguous to the surface of the ground, which  
479 easement is in the form of a lease for a period of not less than fifty  
480 years, which lease is recorded in the land records of the town and  
481 provides that the lessee shall pay all taxes, said interest shall be  
482 deemed to be a separate parcel and shall be separately assessed in the  
483 name of the lessee. If the interest in real estate consists of a lease of  
484 land used for residential purposes which allows the lessee to remove



485 any or all of the structures, buildings or other improvements on said  
486 land erected or owned by the lessee, which lease is recorded in the  
487 land records of the town and provides that the lessee shall pay all taxes  
488 with respect to such structures, buildings or other improvements, said  
489 interest shall be deemed to be a separate parcel and said structures,  
490 buildings or other improvements shall be separately assessed in the  
491 name of the lessee, provided such separate assessment shall not alter  
492 or limit in any way the enforcement of a lien on such real estate in  
493 accordance with chapter 205, for taxes with respect to such real estate  
494 including said land, structures, buildings or other improvements. For  
495 purposes of determining the applicability of the provisions of this  
496 section to any such interest in real estate, "lessee" means any person  
497 who is a lessee or sublessee under the terms of the lease agreement in  
498 accordance with which such interest in real estate is established.

499 (b) Except as provided in subsection (c) of this section, any land,  
500 buildings or easement to use air rights belonging to or held in trust for  
501 the state, not used for purposes attributable to functions of the state  
502 government or any other governmental purpose but leased to a person  
503 or organization for use unrelated to any such purpose, exclusive of any  
504 such lease with respect to which a binding agreement is in effect on  
505 June 25, 1985, shall be separately assessed in the name of the lessee and  
506 subject to local taxation annually in the name of the lessee having  
507 immediate right to occupancy of such land or building, by the town  
508 wherein situated as of the assessment day next following the date of  
509 leasing pursuant to section 4b-38, as amended by this act. If such  
510 property or any portion thereof is leased to any organization which, if  
511 the property were owned by or held in trust for such organization,  
512 would not be liable for taxes with respect to such property under any  
513 of the subdivisions of section 12-81, such organization shall be entitled  
514 to exemption from property taxes as the lessee under such lease,  
515 provided such property is used exclusively for the purposes of such  
516 organization as stated in the applicable subdivision of said section 12-  
517 81 and the portion of such property so leased to such exempt  
518 organization shall be eligible for a grant in lieu of taxes pursuant to  
519 section [12-19a] 1 of this act. Whenever the lessee of such property is

520 required to pay property taxes to the town in which such property is  
521 situated as provided in this subsection, the assessed valuation of such  
522 property subject to the interest of the lessee shall not be included in the  
523 annual list of assessed values of state-owned real property in such  
524 town as prepared for purposes of state grants in accordance with said  
525 section [12-19a] 1 of this act and the amount of grant to such town  
526 under said section [12-19a] 1 of this act shall be determined without  
527 consideration of such assessed value.

528 (c) The provisions of subsection (b) of this section shall not be  
529 applicable to (1) any land, building or easement belonging to or held in  
530 trust for the state of Connecticut or the Connecticut Airport Authority  
531 at Bradley International Airport or any general aviation airport or  
532 other airport, as such terms are defined in section 15-120aa, and (2) any  
533 restaurant, gasoline station or other service facility or public  
534 convenience as may be deemed appropriate by the Commissioner of  
535 Transportation for state highway, mass transit, marine or aviation  
536 purposes. In the event a lessee of property, belonging to or held in  
537 trust for the state or a constituent unit of the state system of higher  
538 education, who is subject to taxation pursuant to the provisions of this  
539 subsection or pursuant to subsection (g) of section 4b-38, as amended  
540 by this act, is delinquent in the payment of such tax, a municipal tax  
541 collector may enforce the collection of said tax by all legal means  
542 available, except for the filing of a lien on such property.

543 Sec. 14. Section 15-101dd of the general statutes is repealed and the  
544 following is substituted in lieu thereof (*Effective October 1, 2015*):

545 Whenever any lessee is required to pay property taxes under this  
546 chapter, the assessed valuation of such property subject to the interest  
547 of the lessee shall not be included in the annual list of assessed values  
548 of state-owned real property in such town as prepared for purposes of  
549 state grants in accordance with section [12-19a] 1 of this act and the  
550 amount of grant to such town under said section [12-19a] 1 of this act  
551 shall be determined without consideration of such assessed value.

552 Sec. 15. Subsection (c) of section 22-26jj of the general statutes is

553 repealed and the following is substituted in lieu thereof (*Effective*  
554 *October 1, 2015*):

555 (c) The commissioner may lease all or part of one property acquired  
556 by him under this section as part of a demonstration project, in  
557 accordance with subsection (d) of this section, provided such project is  
558 approved by the Secretary of the Office of Policy and Management.  
559 Such property may be leased to one or more agricultural users for a  
560 period not to exceed five years. Such lease may be renewed for periods  
561 not to exceed five years. Any property leased under such  
562 demonstration project shall be exempt from taxation by the  
563 municipality in which the property is located. The assessed valuation  
564 of the property shall be included with the assessed valuation of state-  
565 owned land and buildings for purposes of determining the state's  
566 grant in lieu of taxes under the provisions of section [12-19a] 1 of this  
567 act.

568 Sec. 16. Subsection (c) of section 22-2600 of the general statutes is  
569 repealed and the following is substituted in lieu thereof (*Effective*  
570 *October 1, 2015*):

571 (c) The Commissioner of Agriculture may lease, permit or license all  
572 or part of said farm to one or more persons for the purpose of  
573 engaging in agriculture, as defined in section 1-1. Any such lease,  
574 permit or license shall be for a period not to exceed fifteen years and  
575 shall contain, as a condition thereof, compliance with the provisions of  
576 the permanent conservation easement granted pursuant to subsection  
577 (b) of this section. Any such lease, permit or license may be renewed  
578 for a period not to exceed fifteen years. Any property leased, permitted  
579 or licensed pursuant to this subsection shall be exempt from taxation  
580 by the municipality in which said property is located. The assessed  
581 valuation of said property shall be included in the assessed valuation  
582 of state-owned land and buildings for purposes of determining the  
583 state's grant in lieu of taxes pursuant to the provisions of section [12-  
584 19a] 1 of this act. Any such lease, permit or license shall be subject to  
585 the review and approval of the State Properties Review Board. The

586 State Properties Review Board shall complete a review of each lease,  
587 permit or license not later than thirty days after receipt of a proposed  
588 lease, permit or license from the Commissioner of Agriculture.

589 Sec. 17. Section 22a-282 of the general statutes is repealed and the  
590 following is substituted in lieu thereof (*Effective October 1, 2015*):

591 The Materials Innovation and Recycling Authority, notwithstanding  
592 the provisions of subsection (b) of section 22a-208a concerning the  
593 right of any local body to regulate, through zoning, land usage for  
594 solid waste disposal and section 22a-276, may use and operate as a  
595 solid waste disposal area, pursuant to a permit issued under sections  
596 22a-208, 22a-208a and 22a-430, any real property owned by said  
597 authority on or before May 11, 1984, any portion of which has been  
598 operated as a solid waste disposal area, and the authority shall not be  
599 subject to regulation by any such body, except that the authority shall  
600 pay to the municipality in which such property is located one dollar  
601 per ton of unprocessed solid waste received from outside of such  
602 municipality and disposed of at the solid waste disposal area by the  
603 authority. Any payment shall be in addition to any other agreement  
604 between the municipality and the authority. The provisions of section  
605 [12-19a] 1 of this act shall not be construed to apply to any such real  
606 property.

607 Sec. 18. Section 23-30 of the general statutes is repealed and the  
608 following is substituted in lieu thereof (*Effective October 1, 2015*):

609 The Commissioner of Energy and Environmental Protection may,  
610 for the purposes specified in section 23-29, lease, for a period of not  
611 less than ninety-nine years, any lands within the state, title to which  
612 has been acquired by the resettlement administration or other agency  
613 of the government of the United States, provided the form of such  
614 lease shall be approved by the Attorney General. Said commissioner  
615 may enter into cooperative agreements with any branch of the  
616 government of the United States regarding the custody, management  
617 and use of lands so leased. All lands leased under this section shall, for  
618 the purposes of taxation, be considered as owned by the state, and the

619 towns in which such lands are situated shall receive from the state  
620 grants in lieu of taxes thereon, as provided in section [12-19a] 1 of this  
621 act.

622 Sec. 19. Section 32-610 of the general statutes is repealed and the  
623 following is substituted in lieu thereof (*Effective October 1, 2015*):

624 The exercise of the powers granted by section 32-602 constitute the  
625 performance of an essential governmental function and the Capital  
626 Region Development Authority shall not be required to pay any taxes  
627 or assessments upon or in respect of the convention center or the  
628 convention center project, as defined in section 32-600, levied by any  
629 municipality or political subdivision or special district having taxing  
630 powers of the state and such project and the principal and interest of  
631 any bonds and notes issued under the provisions of section 32-607,  
632 their transfer and the income therefrom, including revenues derived  
633 from the sale thereof, shall at all times be free from taxation of every  
634 kind by the state of Connecticut or under its authority, except for estate  
635 or succession taxes but the interest on such bonds and notes shall be  
636 included in the computation of any excise or franchise tax.  
637 Notwithstanding the foregoing, the convention center and the related  
638 parking facilities owned by the authority shall be deemed to be state-  
639 owned real property for purposes of [sections 12-19a and 12-19b]  
640 section 1 of this act and the state shall make grants in lieu of taxes with  
641 respect to the convention center and such related parking facilities to  
642 the municipality in which the convention center and such related  
643 parking facilities are located as otherwise provided in [said sections 12-  
644 19a and 12-19b] section 1 of this act.

645 Sec. 20. Section 32-666 of the general statutes is repealed and the  
646 following is substituted in lieu thereof (*Effective October 1, 2015*):

647 (a) Any land on the Adriaen's Landing site leased by the secretary  
648 for purposes of site acquisition for an initial term of at least ninety-nine  
649 years shall, while such lease remains in effect, be deemed to be state-  
650 owned real property for purposes of [sections 12-19a and 12-19b]  
651 section 1 of this act and subdivision (2) of section 12-81 and the state

652 shall make grants in lieu of taxes with respect to such land to the  
 653 municipality in which the same is located as otherwise provided in  
 654 [sections 12-19a and 12-19b] section 1 of this act.

655 (b) Any land that comprises a private development district  
 656 designated pursuant to section 32-600 and all improvements on or to  
 657 such land shall, while such designation continues, be deemed to be  
 658 state-owned real property for purposes of [sections 12-19a and 12-19b]  
 659 section 1 of this act and subdivision (2) of section 12-81, and the state  
 660 shall make grants in lieu of taxes with respect to such land and  
 661 improvements to the municipality in which the same is located as  
 662 otherwise provided in [sections 12-19a and 12-19b] section 1 of this act.  
 663 Section 32-666a shall not be applicable to any such land or  
 664 improvements while designated as part of the private development  
 665 district.

666 (c) For purposes of state insurance or self-insurance, the convention  
 667 center facilities shall be deemed to be state-owned property and the  
 668 state insurance and risk management board shall be authorized to  
 669 determine, purchase or otherwise arrange for such insurance or self-  
 670 insurance with respect to the convention center facilities, as otherwise  
 671 provided in section 4a-20 with respect to other state-owned property.

672 Sec. 21. Sections 12-19a, 12-20a and 12-20b of the general statutes are  
 673 repealed. (*Effective October 1, 2015*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2015, and applicable to assessment years commencing on or after October 1, 2015</i>	New section
Sec. 2	<i>October 1, 2015</i>	3-55j
Sec. 3	<i>October 1, 2015</i>	4b-38(g)
Sec. 4	<i>October 1, 2015</i>	4b-39
Sec. 5	<i>October 1, 2015</i>	4b-46
Sec. 6	<i>October 1, 2015</i>	10a-90

Sec. 7	<i>October 1, 2015</i>	10a-91
Sec. 8	<i>October 1, 2015</i>	12-19b
Sec. 9	<i>October 1, 2015</i>	12-19c
Sec. 10	<i>October 1, 2015</i>	12-19f
Sec. 11	<i>October 1, 2015</i>	12-62m
Sec. 12	<i>October 1, 2015</i>	12-63h
Sec. 13	<i>October 1, 2015</i>	12-64
Sec. 14	<i>October 1, 2015</i>	15-101dd
Sec. 15	<i>October 1, 2015</i>	22-26jj(c)
Sec. 16	<i>October 1, 2015</i>	22-26oo(c)
Sec. 17	<i>October 1, 2015</i>	22a-282
Sec. 18	<i>October 1, 2015</i>	23-30
Sec. 19	<i>October 1, 2015</i>	32-610
Sec. 20	<i>October 1, 2015</i>	32-666
Sec. 21	<i>October 1, 2015</i>	Repealer section

***Statement of Legislative Commissioners:***

Section 8(b) was restructured for clarity.

***PD***      *Joint Favorable Subst. -LCO*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

### **OFA Fiscal Note**

#### **State Impact:**

Agency Affected	Fund-Effect	FY 16 \$	FY 17 \$	The Out Years
Policy & Mgmt., Off.	GF - Cost	See Below	See Below	Significant

Note: GF=General Fund

#### **Municipal Impact:**

Municipalities	Effect	FY 16 \$	FY 17 \$	The Out Years
All Municipalities	Revenue Gain	See Below	See Below	Significant

### **Explanation**

The bill makes several changes to the State Property PILOT and College & Hospital PILOT grant formulas. It: 1) combines the two grants; 2) significantly expands the types of property that must be reimbursed under the program; 3) changes the reimbursement rates for the grants, so that towns with a higher percentage of tax-exempt property receive higher reimbursement rates; and 4) expands the grants to include more subdivisions of municipalities (e.g. special taxing districts).

There is a significant cost to the Office of Policy and Management (OPM) to reimburse municipalities under the bill's provisions. Total FY 15 appropriations for the State Property PILOT and the College & Hospital PILOT were \$200.9 million. The cost to fully implement this



policy in FY 15 would have cost an additional \$120 million<sup>1</sup> (for a total of \$320.9 million). The impact in future years would depend on changes to municipal mill rates and grand lists.

However, the bill allows OPM to prorate payments in years in which the appropriation is insufficient to fully fund the grant. If the appropriation did not change, there would be no additional cost to OPM. The distribution of the grant to towns, however, would still change under the bill's provisions.

Changing the distribution of the State Property and College & Hospital Property PILOT grants alters the distribution of funding for the Pequot grant. As the Pequot grant is prorated, any change in funding distribution may result in some individual municipalities experiencing a loss of Pequot funding. However, as the bill does not change the appropriation for the Pequot grant, there is no fiscal impact to the state, or cumulative impact to municipalities.

Additionally, the bill repeals the current formula for the State Property PILOT and the College & Hospital PILOT as of October 1, 2015. Due to discrepancies between the timing of the bill (effective October 1, 2015) and the timing in which OPM makes payments to towns, it is unclear what formula OPM would use to calculate payments in FY 16 and FY 17.

### ***The Out Years***

The ongoing fiscal impact identified above would continue into the future subject to changes in municipal grand lists and mill rates.

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<sup>1</sup> This does not include: 1) the impact of expanding the grant to include more subdivisions of municipalities; 2) the impact on payments of approximately \$8.2 million in FY 15 which were not subject to proration.

**OLR Bill Analysis****sSB 1070*****AN ACT CONCERNING PAYMENT IN LIEU OF TAXES.*****SUMMARY:**

This bill restructures the state's payment in lieu of taxes (PILOT) programs, which reimburse municipalities for the lost property revenue from certain tax-exempt property. It consolidates the programs for different types of tax-exempt property and changes the basis for calculating the payments.

By law, the state makes annual PILOTs to municipalities to reimburse them for a part of the revenue loss from (1) state-owned property, Indian reservation and trust land, and municipally owned airports and (2) private nonprofit college and hospital property. Under current law, these PILOTs are based on (1) a specified percentage of taxes that each municipality would otherwise collect on the property (generally 45% for state-owned property and 77% for college and hospital property) and (2) the amount the state appropriates for the payments.

The bill (1) consolidates the two programs into a single PILOT program; (2) expands it to include tax-exempt real property used for scientific, educational, literary, historical, charitable, or open space purposes; and (3) restructures the statutory formulas for the PILOTs. Under the bill, a municipality's PILOT grant is based on the share of PILOT-eligible property on its grand list and how that share compares to the share of such property in other municipalities. Municipalities in the top third receive PILOTs equal to 40% of the taxes they would have collected from the PILOT-eligible property; those in the middle third receive 33%; and those in the bottom third, 27%. As under current law, the grants must be proportionately reduced if the state's annual

appropriation is not enough to fully fund them.

The bill also extends PILOTs to more political subdivisions. Under current law, the state provides (1) state-owned property PILOTs to towns and boroughs and (2) college and hospital PILOTs to towns, boroughs, cities, consolidated towns and cities, and consolidated towns and boroughs, and village, fire, sewer, or combination fire and sewer districts, and other municipal organizations authorized to levy and collect taxes. Under the bill, the latter group of municipalities qualifies for the newly combined PILOT program.

The bill also makes technical and conforming changes, including modifications to the Mashantucket Pequot and Mohegan Fund grants, which are based in part on the formulas for distributing PILOTs.

EFFECTIVE DATE: October 1, 2015, and the new PILOT provisions are applicable to assessment years beginning on and after that date.

## **PILOT PROGRAM**

### ***Eligible Property***

The bill ends the current PILOT programs on October 1, 2015 and simultaneously starts the new, consolidated program on that date. PILOT payments under the new program begin in FY 16, applicable to PILOT-eligible property on the October 1, 2015 grand list (see COMMENT). With one addition, the new program covers the same types of tax-exempt real property as the current programs:

1. state-owned real property, including highway administration or maintenance property, but not highways and bridges;
2. Indian reservation land held in trust by the state;
3. municipally owned airports;
4. (a) nonprofit general and chronic disease hospitals and (b) urgent care facilities operating for at least 12 hours a day and that had been the location of a nonprofit hospital for a portion of the 1996 calendar year, including campuses of the U.S.

Department of Veterans Affairs Connecticut Healthcare Systems, but excluding other government-operated facilities; and

5. private, nonprofit colleges and universities.

Unlike the current programs, the new PILOT program also covers real property owned or held in trust for nonprofit organizations exempt from property taxes under the state's general exemption for nonprofit organizations (CGS § 12-81 (7)) (see BACKGROUND).

As under existing law, "nonprofit general hospital facilities" are those used primarily for general medical care and treatment, excluding facilities that primarily care and treat specific diseases or physical or mental conditions. "Freestanding chronic disease hospitals" are those that care and treat chronic diseases, excluding facilities affiliated with and operated in the same location as a chronic and convalescent nursing home. "Private, nonprofit institutions of higher learning" are educational institutions or independent colleges or universities that (1) provide instruction beyond the high school level; (2) offer, or accept transfer of, college-level credit; (3) are either licensed or accredited by the Office of Higher Education to offer degrees; and (4) are exempt from property taxes under state law.

As under existing law, the new PILOT program does not cover Bradley International Airport property for which towns receive specific annual appropriations from the Connecticut Airport Authority.

### **Reimbursement Rates**

Under current law, municipalities receive PILOTs that are based on a specified percentage of taxes that they would otherwise collect on the property. The reimbursement rates differ for specific types of properties, ranging from 100% to 45%, as shown in Table 1.

**Table 1: Current PILOT Rates for Specified Property Types**

<i>Type of Property</i>	<i>PILOT (% of lost revenue)</i>
<b>State-Owned Property PILOT</b>	
Correctional facility or juvenile detention center	100%
John Dempsey Hospital permanent medical ward for prisoners	100
Mashantucket Pequot reservation land (1) designated within 1983 settlement boundary and (2) taken into trust by the federal government for the Mashantucket Pequots on or after June 8, 1999	100
Land in any town where more than 50% of the land is state-owned	100
Connecticut Valley Hospital	65
Mashantucket Pequot reservation land (1) designated within the 1983 settlement boundary and (2) taken into trust by the federal government for the Mashantucket Pequots before June 8, 1999	45
Mohegan reservation land taken into trust by the federal government	45
Municipally owned airports	45
All other state-owned property	45
<b>College and Hospital PILOT</b>	
U.S. Department of Veterans Affairs Connecticut Healthcare Systems campuses	100
Private, nonprofit colleges and universities	77
Nonprofit general and chronic disease hospitals	77
Certain urgent care facilities	77

The bill instead bases the PILOTs on the percentage of PILOT-eligible property on each municipality's grand list. It requires the Office of Policy and Management (OPM) to rank each municipality based on the percentage of PILOT-eligible property on its grand list and, with certain exceptions, sets a PILOT rate for municipalities based on this ranking. Under the bill, the first one-third of municipalities with the highest percentage of such property receive a PILOT equal to 40% of the property taxes that would have been paid on the property. The next third of municipalities receive a 33% PILOT and the remaining municipalities receive a 27% PILOT.

The bill retains the following PILOTs for municipalities that host specified properties or institutions:

1. \$100,000 to Branford for Connecticut Hospice,
2. \$1 million to New London for the U.S. Coast Guard Academy, and

3. an additional \$60,000 to Voluntown for state-owned forest land.

As under current law, the grants are proportionately reduced if the state appropriation for the grants is not enough to pay the full amount to every municipality.

### ***Application and Payment Process***

The procedure municipalities must follow to claim the newly established PILOT is the same as the current process for claiming state-owned and college and hospital property PILOTs.

Each April 1, beginning in 2016, municipalities must submit to OPM the assessed value of their PILOT-eligible property as of the prior October 1, adjusted to reflect any revaluation phase-in the municipality implemented. Those that fail to do so forfeit \$250 to the state but may ask the secretary to waive the penalty according to procedures and standards he adopts in regulations.

The OPM secretary has until August 1 of the following year to audit the municipalities' claims and reevaluate a property if he believes the value the municipality submitted is inaccurate. Municipalities can request an administrative hearing with OPM to contest reevaluations, but they must do so within 10 business days after receiving notice of OPM's reevaluation. A municipality denied a hearing or unhappy with its outcome can appeal to Superior Court.

The OPM secretary must certify each municipality's PILOT by September 15 and the state treasurer must make the payments by September 30 (see COMMENT).

### **BACKGROUND**

#### ***Property Tax Exemption for Nonprofit Organizations (CGS § 12-81(7))***

State law exempts from property taxes property owned, or held in trust for, any corporation organized exclusively for scientific, educational, literary, historical, or charitable purposes. The exemption applies to real and personal property used exclusively for carrying out

one or more of these purposes or for preserving open space land. None of the corporation's officers, members, or employees may receive any pecuniary profit from the organization's operations other than reasonable compensation for services or as a proper beneficiary of the organization's charitable purposes.

By law, only specified government-subsidized housing and low- and moderate-income housing qualify as charitable purposes (e.g., housing for individuals who are homeless or have mental, physical, or intellectual disabilities or short-term housing where the average stay is less than six months).

## **COMMENT**

### ***PILOT Claims for the 2014 Assessment Year***

Under the current state-owned property and college and hospital property PILOT programs, municipalities will submit claims by April 1, 2015 for the 2014 assessment year. They are scheduled to receive payments on these claims by September 30, 2016. However, the bill repeals the existing PILOT programs as of October 1, 2015, which effectively eliminates PILOTs for any claims municipalities make in 2015.

### ***Timeline for Receiving the Newly Established PILOT***

The bill's newly established PILOT program contemplates municipalities receiving their first grants in FY 16, for property assessed on October 1, 2015. However, this timeline does not account for the 18-month lag between the time when towns apply for a PILOT and receive the grant.

Under the bill, towns apply for the PILOTs by April 1, beginning in 2016, based on the assessed value of their PILOT-eligible property on October 1, 2015. The OPM secretary has until August 1 of the following year to audit the municipalities' claims. OPM will issue grants based on those claims by September 30, 2017 (in FY 18), 18 months after municipalities first requested the reimbursement.

## **COMMITTEE ACTION**

## Planning and Development Committee

Joint Favorable

Yea 10      Nay 9      (03/20/2015)